

# looking ahead

.... A monthly report by the National Planning Association on forward-looking policy planning and research—announced, underway, and completed—of importance to the nation's future

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-- 1953-1956

## The "Silent Partner" in Collective Bargaining

by Clinton S. Golden

In recent collective bargaining I believe that the influence of government has been exaggerated and the role of economics underestimated. Therefore, I would like to discuss that silent partner -- economic necessity -- who is always standing in the background at the bargaining table.

This fellow, though speechless, is relentless. When labor obtains a wage increase that exceeds the economically feasible, prices may rise as a result, and labor as consumer may lose, at least in part, what it gained at the bargaining table. On the other hand, if business does not grant the wage increase that is economically feasible, it may lose in profitable markets at least part of, if not more than, what it gained by resisting an adequate wage rise. I think it would be a good thing if both management and labor would rely a little less on government and pay a little more heed to that stubborn fellow, economic necessity. (I have learned from reliable sources that he is strictly nonpartisan.)

### He Has Demands Too

The February Looking Ahead gave the highlights of a number of forecasts of the economic future, which showed surprising unanimity on a number of points which will affect our silent partner's demands.

If, in line with most current assumptions, defense expenditures and defense-supporting investment decline by 1954 and following years, then something else must increase. This may be residential construction, investments in plant and equipment, capital export, nondefense govern-

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## Technical Assistance Programs— How Effective are They?

A far-reaching, on-the-spot inquiry to evaluate the technical assistance programs in Latin American countries of the United States, United Nations, and private organizations, was announced on March 30 by NPA Chairman, H. Christian Sonne. NPA's critical, 2-year appraisal is designed to provide practical guides for administering present operations and for making decisions on future programs -- not only in Latin America but in other parts of the world. The inquiry -- first of its kind -- is financed by a \$440,000 grant by The Ford Foundation.

Laird Bell (Chicago lawyer, and member of NPA's Board of Trustees) is chairman of a Special Policy Committee composed of U. S. and Latin American leaders from agriculture, business, labor, education, health, and other professions.

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ment programs or consumption. As investment is running at a very high level, we perhaps cannot expect this factor to do more than hold its own. If business is to find markets for everything it can produce, it appears necessary that consumption should go up not only in proportion to the total increase in productive capacity, but also take over some of that part which now is purchased by the Government for defense purposes. From this it follows that if total production over a decade should go up by perhaps 30%, consumption must increase by more than that percentage, perhaps by 40%.

### *How to Meet His Demands*

Three main factors seem to determine the amount of consumer purchases:

1. What the consumer earns. A high production economy must be a high income economy. About two-thirds of personal income is composed of wages and salaries, so without a substantial increase in these incomes, total income cannot rise.
2. Taxes the consumer has to pay out of earnings. We are hearing a lot about tax reductions now, but I am not so sure that the Government will be able to reduce expenditures to an extent that will make tax reduction feasible. Tax reduction which fails to strengthen consumer purchasing power at a time when government expenditures are curtailed misses one of its main purposes.
3. What consumers save. The rate of consumer spending and saving is determined to a large extent by what the people think is a prudent attitude. It is, I believe, one of the great achievements of the present day that the incomes of the great masses of our people, particularly the workers, have become high enough that they can make some provision for the proverbial rainy day. Both from the long-run economic and from the social point of view, a high rate of saving by the average man is highly desirable.

But a high rate of savings is undesirable if consumer purchases drop because merchandise and services are not offered at attractive terms. Business has gone through a rather long period of a sellers' market. I think it is important that merchandise start again to go after the consumer. I hope the quality of merchandise will go up and prices down. Prices should come down through improved technology and management and not through pressure on wages. Price reduction that forces wages down is a self-defeating device for expanding the consumer market.

### *What Follows for Labor*

With the prospect of declining defense activity and investment only holding its own, I conclude that production of consumer goods and services must increase. In order that business may find markets for this increase a larger share must go to labor or there will be unemployment of both men and facilities.

Certainly a substantial share should go to the estimated 11 million families whose annual income is \$2,000 or less. Some of the increase in wage and salary incomes will result, of course, from an increase in the labor force of about 6 million by 1960. In addition the increase in this income must result also from an increase in wage or salary income per worker. If average hours of work decline further or paid vacations increase, there will be still greater increases in wages or salary per man-hour.

A calculation based on such assumptions of economic growth leads me to estimate that real wages (before taxes and in constant 1951 dollars) per man-hour should increase about 20% by 1960 -- that is, about 2 to 3% per year.

Such an increase in wages, particularly if associated with a moderate decline in taxes, appears encouraging to me. Some will think that it is a rather modest increase, but we should remember that this is an average which includes all wage and salary earners. It is quite

compatible with a somewhat faster increase in some areas than in others. If there should be some increase in prices over the decade, then, of course, the wage increase should be correspondingly larger. If there should be some reduction in prices, then the nominal increase in wages could be somewhat less.

### *Optimum Wage Rise*

I do not know any general formula which tells us once and for all where the optimum economic wage rise lies for each industry. It is up to the process of collective bargaining to find out -- by trial and error -- what that optimum is. It is my conviction that we have to recognize that bargaining is not only a test of organized strength; we have to recognize that silent partner, economic necessity, and admit him to the bargaining table. I see as one of the great tasks of our time the search for improved methods for injecting economic considerations into our process of free wage determination without expecting the government to tell us what the "right" wage ought to be.

*Clinton S. Golden is  
Executive Director, Trade Union Program,  
Harvard University, and  
Chairman, NPA Labor Committee on National  
Policy*

### **Bargaining Problem**

Productivity increases are a current problem in collective bargaining. Contrasting economic arguments on this subject, pro and con respectively, are:

"Wages and Future Economic Stability," American Federation of Labor, 901 Mass. Ave., N. W., Wash. 1. Feb. 1953. 5pp. (mimeo.) 4 charts. Free; and "Productivity -- Gauge of Economic Performance," National Association of Manufacturers, 14 W. 49th St., New York 20. Sept. 1952. 48 pp. Free.

## **—Free World economics—**

### **Liberalized Trade Policies Recommended**

Detailed recommendations for liberalizing American trade and tariff policies and practices are contained in an important report to the President prepared by the Public Advisory Board of the Mutual Security Agency under the chairmanship of Daniel W. Bell, Washington banker. Nearly a year of intensive study of complex and controversial issues involved preceded the report made by the Board members and a technical staff headed by economist Edward M. Bernstein.

The report recommends that U. S. trade and tariff policies be based not, as hitherto, on the interests of small groups of American producers, but on the needs and capabilities of the national economy as a whole viewed in the light of U. S. responsibilities as the leader of the Free World. The principal specific recommendations of the Board include:

1. A new simplified tariff act providing for general reduction of duties and extension of the "free list"; consolidation and clarification of present tariff schedules and classifications into 7 basic groups; and much greater administrative flexibility under more clearly defined general principles established by Congress.
2. Extension of the Reciprocal Trade Agreements Act without impairment of the President's powers to conclude agreements with other countries.
3. Immediate approval by Congress of the customs procedures simplification bill passed in 1951 by the House of Representatives.
4. Liberalization of agricultural import quotas, mandatory shipping restrictions, and Government procurement policies.

5. Readjustment assistance to U.S. manufacturers, workers, and farmers adversely affected by liberalization policies adopted in the national interest.

A useful companion piece to the "Bell Report" is a background study of "International Trade Policy Issues" prepared for the Chamber of Commerce of the United States by a staff under the direction of Professor Harry C. Hawkins of the Fletcher School of Law and Diplomacy. Without making any recommendations, this study provides pertinent facts and summaries of the main conflicting viewpoints on trade policy.

("A Trade and Tariff Policy in the National Interest" from: Mutual Security Agency, 806 Conn. Ave., Wash. 25. 119 pp. Feb. 1953. Free; Hawkins' report from: Foreign Commerce Dept., Chamber of Commerce of the U. S., Wash. 6. 68 pp. Feb. 1953. Single copies free.)

#### **Ways for Stimulating Private Investment Abroad**

A report analyzing the problems of private American investment abroad and recommending specific measures for stimulating the export of capital has recently been prepared by August Maffry, vice president of the Irving Trust Company and member of NPA's Business and International Committees.

Written for the State and Commerce Departments and the MSA, the report outlines an aggressive program of action to increase private investment abroad covering tax incentives; Government guarantees; investment treaties; certain concessions to foreign governments desiring to screen foreign investments; expansion of Export-Import Bank activities to assist private capital; and the adoption by all Government agencies concerned of a program of "total diplomacy" designed to improve the climate for U. S. private investment abroad.

("Program For Increasing Private Investment in Foreign Countries" from: Technical Cooperation Administration, 333 - 3rd St., Wash. 25. Dec. 18, 1952. 39 pp. mimeo. Free.)

#### **Evaluation of MSA Operations Underway**

Harry A. Bullis, chairman of the board General Mills, Inc., and treasurer of NPA's Board of Trustees, recently returned from a month in Formosa where he headed a 5-man team evaluating Mutual Security Agency operations.

An evaluation of the entire MSA program is being made by an advisory group of 55, composing 11 teams assigned to various areas. Clarence Francis, chairman of the board of General Foods, heads the advisory group which will meet May 7 in Washington to approve a final over-all report to MSA.

## **significant activities**

#### **Public and Private Commissions Study Nation's Health Services**

The findings and recommendations of former President Truman's Commission on Health Needs of the Nation have been widely reviewed and debated since their publication. Somewhat less attention has been given to the statistical data pertinent to these discussions developed by The Commission's technical staff during the course of the year-long study. Also, the results of The Commission's consultations with experts on all phases of medical care and its findings at a series of regional hearings where citizens were asked to express their views form part of the 5-volume report.

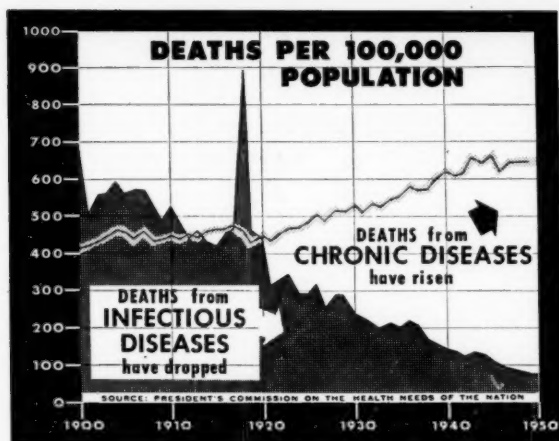
Available from Supt. of Documents, Wash. 25, are:

Vol. I -- "Findings and Recommendations" of The Commission. 80pp. 50¢

Vol. II -- "America's Health Status, Needs and Resources" (details on findings and considerations which led to the recommendations). 320 pp. \$1.25

Vol. III -- "A Statistical Appendix" to Vol. II. 299 pp. \$1.50





Vol. IV -- "Financing a Health Program for America" (statements of a variety of points of view). 363 pp. \$1.50

Vol. V -- "The People Speak" (excerpts from regional hearings). 521 pp. \$2.50

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Felix A. Grisette, Executive Director, Health Publications Institute, Inc., and a member of The Commission's Study Staff (also a member NPA Committee of the South) has announced the Institute is bringing out a 150-page condensation of The Commission's 5-volume report. \$1.50 paper; \$2.50 cloth binding. 216 N. Dawson St., Raleigh, N. C.

The Commission on Financing Hospital Care, a nongovernmental, independent agency suggested in 1950 by the American Hospital Association, is studying the costs of providing adequate hospital services and endeavoring to determine the best systems of payment for such services. The Commission, composed of 34 members and headed by Gordon Gray, president of the University of North Carolina, represents a cross section of U. S. public interest. Its first progress report, published in January, describes the approach -- planning by specialists at the "grass roots" -- and outlines topics which are being studied.

("Progress Report 1" from The Commission on Financing Hospital Care, 1020 North Rush St., Chicago 11. Jan. 1953. 9 pp. Free.)

### **CED Objectives: High Production and Employment**

The Committee for Economic Development, composed of leading U. S. businessmen and educators, works to achieve through economic research and other methods the objectives of high production and employment within the framework of a free society. Its Research and Policy Committee is aided by a Research Advisory Board of outstanding economists and social scientists.

CED publications are of two types; "Statements on National Policy" by the Research and Policy Committee, and "Research Studies" prepared by qualified experts given responsibility and freedom to reach independent conclusions.

Two Policy Statements are expected to be published within the next several months: "American Commercial Policy" and "Tax Expenditure Policy for 1953." Others authorized and in process include: "Tax Reform and Economic Progress," "Managing the National Security Program," "Economic Policy for Post-Defense Transition," "Problems and Prospects of the American Economy," and "Promoting Economic Progress in Under-Developed Areas."

Also to be published soon is a book-length Research Study, "Labor-Management Relations" by Douglass V. Brown and Charles A. Myers. Other Research Studies underway: "Determination and Control of Federal Budget Expenditures" by Arthur Smithies and "U. S. Foreign Economic Policies" by H. van B. Cleveland. (Tentative titles.)

(To receive Policy Statements free, write: CED, 444 Madison Ave., New York 22. Research Studies from McGraw-Hill Book Co., New York 18.)

# statistically speaking

## **Business Looks Ahead** **—1953-1956**

Two surveys of business plans report the same finding: U. S. industry intends to spend slightly more for capital goods in 1953 than in 1952. This comes from both the latest quarterly survey of all industry by the Department of Commerce and Securities and Exchange Commission and the recent annual survey by the McGraw-Hill Publishing Company. The latter covers a large portion of industry but reports most extensively on the manufacturing sector.

Manufacturing companies already have preliminary plans for a high level of capital expenditures right up through 1956. With a yearly average of \$9.3 billion planned for the period 1954-56, manufacturers feel that they could spend as much as \$14 billion to take full advantage of all technological developments if business conditions are sufficiently auspicious. On the other hand, if sales should decline substantially,

present plans would be cut to an average of about \$6 billion during the period.

The emphasis in capital spending is changing from expansion to modernization. In 1951, 58% went for expansion while only 38% of the expenditures planned for 1954-56 are ticketed for expansion.

Physical capacity in manufacturing industries (measured by tons of steel, the horsepower of engines, etc.) is expected to increase by 7% in 1953 as compared with 9% in 1952. A further 9% increase should occur from 1953 through 1956 under present plans.

A new feature of this year's McGraw-Hill survey is its inclusion of projections of depreciation allowances.

(Results of the Commerce-SEC survey; March issue, "Survey of Current Business" from Supt. of Documents, Wash. 25. 30¢. McGraw-Hill survey; April 4 issue, "Business Week." Reprints after May 1 from McGraw-Hill, Dept. of Economics, 330 W. 42nd St., New York 36. One to 10 reprints at 20¢; graduated discounts for larger quantities.)

## Business Plans as Reported in Two Surveys

(Figures are in millions of dollars unless otherwise noted.)

	Actual	Planned			
	1952	1953	1954	1955	1956
<b>Commerce-SEC Survey:</b>					
<u>All Industries</u>					
Expenditures for new plant and equipment	26,455	26,991			
Manufacturing industries	11,994	12,039			
All other	14,461	14,952			
<b>McGraw-Hill Survey:</b>					
<u>Manufacturing Industries</u>					
Expenditures for new plant and equipment	11,994	12,100	10,122	8,989	8,974
Share intended for expansion	49%	43%	( 1954-56: 38% )		
Share intended for modernization	51%	57%	( 1954-56: 62% )		
Index of physical capacity (1939=100)	204	218			238
Depreciation funds	5,885	6,804	7,313	7,535	7,763

## How Does Money Flow?

Accounting statements are so useful in depicting the operations of business firms that economists have frequently sought to use them to summarize the operations of the whole economy. Probably the best known system of "social accounting" is that used by the Department of Commerce in measuring the nation's production. In an important work published last month, Morris A. Copeland of Cornell University views the economy from another perspective and applies the accounting technique to trace the flow of money.

Money may be obtained through "ordinary" channels, he points out, or through financial channels — borrowing and dipping into financial assets. Likewise, it may be used for ordinary expenditures or for paying off debts or piling up assets. Dividing all "transactors" into 14 groups (households, corporations, farms, banks, insurance companies, etc.), he prepared balancing accounts for each group showing each group's sources and uses of funds for the years 1936 through 1942. Since there are two parties to every money transaction, the accounts interlock. For instance, taxes received by government may be identified as taxes paid in the other accounts.

The merit of the moneyflows accounts is that they tie together such a wide range of economic data. Trade and finance may be seen moving together "in perfect step, like partners in a dance." The accounts reveal how moneyflows and business activity expand and contract, and they will be an important tool for business cycle analysts in finding out why the ups and downs occur.

("A Study of Moneyflows in the United States" from National Bureau of Economic Research, 1819 Broadway, New York 23. 1952. 338 pp. + 24 pp. Appendix. \$7.50. The Federal Reserve is carrying forward the moneyflows study and some time this summer will make available in mimeographed form a set of accounts running through 1952.)

## NPA activities

"Economic Preparedness for Peace," a report of the NPA Board of Trustees' most recent meeting, includes a statement by Chairman H. Christian Sonne and a check list of NPA current activities. This Special Report No. 32 has been sent to all NPA members and is available to nonmembers for 25¢.

### COMMITTEE OF NEW ENGLAND

"New England's Financial Resources and Their Use," the first of 20 reports by the Committee of New England, is being published this month. It will cover capital and credit sources, uses, and needs in the region, with special reference to development agencies, small business, specialized financial agencies, and governmental institutions.

NPA formed the Committee of New England in November 1950, at the request of the Joint Committee on the Economic Report. The congressional committee was interested in receiving from New Englanders a report on the impact of Federal policies on their region, as a companion piece to an earlier report by the NPA Committee of the South. The New England Committee broadened that objective by making it a comprehensive study of the New England economy designed to provide the basis for a unified program of constructive action which New Englanders themselves could take.

Leonard Carmichael, Secretary of the Smithsonian Institution (until recently president of Tufts College), is chairman of the Committee of 95 leaders of agriculture, business, education, labor, press and radio. Sumner Slichter, Lamont Professor of Economics at Harvard University, heads the Research Advisory Committee of 35. The research was done by a staff directed by Dr. Arthur A. Bright, Jr., who took leave of absence from his duties as director of research of the Federal Reserve Bank of Boston.

Seven Study Panels, composed of the members, were given responsibility for work on special subjects important to New England -- human resources; natural resources; financial resources; transportation; management and research; tax and fiscal policies; and economic information and education.

Two more pamphlets growing out of this work will be issued this spring -- "Fisheries of New England" and "Forests of New England." The balance of the series of 20 will appear in September when all the reports will be combined into the final report of the Committee of New England -- a book scheduled for publication by the Yale University Press in September 1953.

(The pamphlets will be available from NPA at 75¢ a copy for members; \$1.00 a copy for nonmembers.)

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Chase Photo

NPA press conference crowded for announcement of Latin American study. Chester C. Davis and Howard R. Tolley of The Ford Foundation sat in.

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Theodore W. Schultz (chairman, Dept. of Economics, University of Chicago, member of NPA's Board and its Agriculture and International Committees) is director of research. Research staff members and consultants from U. S. and Latin America will be chosen for competence in the wide range of subjects involved in technical assistance programs.

The Special Committee will issue its policy statements and the staff its factual reports as work is completed to make them available for prompt use.

(WRITE NPA for an announcement giving more details on the inquiry.)

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